

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

LAKELAND BANCORP, INC.

Point of Contact:	Robert A. Vandenberg, SEVP and Chief Operating Officer	RSSD: (For Bank Holding Companies)	1404799
UST Sequence Number:	343	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	59,000,000	FDIC Certificate Number: (For Depository Institutions)	19953
CPP/CDCI Funds Repaid to Date:	59,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 06, 2009	City:	Oak Ridge
Date Repaid ¹ :	2/8/2012	State:	New Jersey

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDICI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDICI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDICI investment was deployed or how many CPP/CDICI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDICI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDICI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Exclusive of commercial leases for which Lakeland Bank implemented an accelerated disposition strategy in 2009, Lakeland Bank's commercial and consumer lending in 2011 increased by \$67.3 million, or 3%, despite previously having repaid \$40 million of the \$59 million CPP investment.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

During 2011, Lakeland Bank continued to increase its commercial loan portfolio, with year over year increases of \$42.7 million in commercial real estate loans and \$15.7 million in commercial and industrial loans.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☒ **Increase reserves for non-performing assets.**

During 2011, Lakeland increased its reserves from \$27.3 million in 2010 to \$28.4 million in 2011, or \$1.1 million.

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

During 2011, Lakeland increased its net charge-offs from \$17.5 million or 0.88% of average loans and leases in 2010, to \$17.7 million or 0.89% of average loans and leases in 2011.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

No actions to report.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

No actions to report.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Although Lakeland would have remained active in commercial lending had it not received the Treasury's CPP investment, the additional capital supported Lakeland's continued increase in volume of new loan production without negatively impacting capital or liquidity.